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Thirteenth session
Vienna, 7-11 November 1994

Programme and Budget Committee

Tenth session
Vienna, 20-24 June 1994
Item 5 of the provisional agenda

FINANCIAL SITUATION OF UNIDO

Losses related to small catering items

Note by the Secretariat

Summary

Provides information on losses related to catering items for the years 1992 and 1993. In accordance with financial rule 109.15 (a), requests approval for the write-off of those losses.

1. During the 1992-1993 biennium, the Property Survey Board was presented with four submissions covering losses of small catering items, resulting in the following total losses for those years:

Year	Total losses	Annual turnover	Losses as % of annual turnover
	(In Austrian schillings)		
1992	626,977 (of which 184,770 breakage)	60,374,934	1.04
1993	847,957 (of which 213,558 breakage)	66,110,049	1.29

2. The above figures may be compared with the normally acceptable margin of loss in a private restaurant business of 3 to 5 per cent of annual turnover. It should be noted that the purchases of such items are funded from proceeds from the VIC Catering Service.

ACTION REQUIRED OF THE COMMITTEE

3. In order to comply with financial rule 109.15 (a), which requires the prior approval of the Board upon the recommendation of the Programme and Budget Committee for the writing-off of a loss exceeding the amount of $15,000, the Programme and Budget Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board, upon recommendation of the Programme and Budget Committee:

"(a) Takes note of the report of the Director-General concerning losses of catering items (PBC.10/3-IDB.13/2);

"(b) Approves, in accordance with financial rule 109.15 (a), the write-off of losses related to small items of the VIC Catering Service in the amounts described in paragraph 1 of document PBC.10/3-IDB.13/2."

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UNIDO COUNTRY DIRECTOR PROGRAMME

Report by the Director-General

Summary

Reports on the follow-up to Programme and Budget Committee conclusion 93/9 and Industrial Development Board decision IDB.11/Dec.29.

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Introduction

1. In its conclusion 93/9 on the UNIDO Country Director (UCD) programme, the Programme and Budget Committee at its ninth session requested the Director-General to continue negotiations with the United Nations Development Programme (UNDP) on the most appropriate financing arrangements for the UCD programme and invited the UNDP Governing Council at its forty-first session (1994) to continue the financial support to the programme, bearing in mind the desire to increase or at least to maintain the present number of UCD posts for the fifth programming cycle. The Committee also requested the Director-General to prepare proposals for a programme framework for field representation as a basis for negotiating extra-budgetary financing in the light of the outcome of current discussions in the United Nations General Assembly, including possible redeployment of headquarters staff to the field to maintain the current level of UCDs. Furthermore the Committee requested the Director-General to present detailed information on the UCD model office which has its local costs financed from the UNDP indicative planning figure (IPF) of the host country.

2. The Industrial Development Board at its eleventh session adopted decision IDB.11/Dec.29 on the UCD programme in which it inter alia endorsed the above conclusion and requested the Director-General to report to the Board on the implementation of its decision and the Programme and Budget Committee conclusion. The present document is submitted to the Programme and Budget Committee and the Industrial Development Board in accordance with that request.

I. FINANCIAL SITUATION OF THE PROGRAMME

3. Despite the financial constraints and because of the importance of the UCD programme, UNIDO managed to maintain in 1993 the level of 39 field offices for the programme through a combination of sources of funds (cf. IDB.12/2-PBC.10/2, chap. III, table 2). That combination includes the utilization of four regional adviser posts for the UCD programme. Only 30 of the 39 field offices have been headed by UCDs, mainly owing to lack of resources.

4. The financial situation of the UCD programme has seen a slight improvement in 1994, thereby permitting UNIDO to consider the expansion of the network by one more office. The improved financial situation is due to:

(a) The inclusion in the 1994-1995 regular budget of full funding for six field offices and partial funding for a further two offices;

(b) A carry forward from 1993 of unutilized funds ($0.6 million) from UNDP sectoral support, which has been added to the agreed allocation of $2.9 million for 1994 (see para. 9 below);

(c) The proposed financing of 10 field offices from the operational budget despite the decline in income from their funding source;

(d) The continued financing of one field office from the IPF funds of the host country.

5. The number of offices, the sources of financing and estimated costs foreseen for 1994 are shown in table 1 below.

6. Out of 40 field offices, 30 were headed by UCDs as of 31 March 1994. While some of the vacant posts will be filled in the near future, others will remain vacant until additional resources are secured. The redeployment of headquarters staff as UCDs is being considered to fill some of the vacant posts. In five countries, negotiations are taking place to fill the UCD posts with national directors. The current distribution of the UCD offices by region and source of funds is shown in table 2 below.

7. In the future, a much stronger field representation will be needed to assist the Organization in identifying, formulating, delivering and monitoring a wide range of services to the increasingly diversified clients in developing countries. Concurrently, financial constraints will continue to seriously affect the Organization in meeting the new challenges and the increasing demand from developing countries for qualified UCDs. The financial crisis under the operational budget resulting from declining support cost income makes the prospects of additional financing under this source of funds unlikely in the near future. Despite the call made to Member States by the Programme and Budget Committee in its conclusion 93/9, paragraph (1), and UNIDO follow-up efforts in that respect, the response of the host Governments to the request for financing the local support costs of the UCD offices in their respective countries has so far

Table 1

The UCD programme in 1994

Source of finance	Number of offices		Estimated net cost (In millions of US$)
	Full funding	Partial funding	
UNIDO regular budget	6	2	1.8
UNIDO operational budget	10	–	2.8
UNDP sectoral support	14	7	3.5
Indicative planning figure	1	–	0.2
TOTAL	31	9	8.3

Table 2

Distribution of UCD offices in 1994
(by region and source of funds)

Region	UNDP sectoral support	Regular budget	Operational budget	Indicative planning figure	Total
Africa	6	5	4	–	15 a/
Arab States	2	–	1	–	3 b/
Asia and the Pacific	6	1	2	–	9
Latin America and the Caribbean	6	2	3	1	11
Europe and NIS	1	–	–	–	2
TOTAL	21	8	10	1	40

a/ Excluding two African Arab States.

b/ Including two African Arab States.

remained rather limited. Only seven countries are actually paying part of the total costs of their respective UCD offices. Although, as mentioned in paragraph 23 of document IDB.11/7-PBC.9/9, some Governments were considering the financing of additional UCD posts, no new voluntary contributions were received in 1993 and 1994. Therefore, the achievement of the proposed target of 50 UCDs, as confirmed by the Industrial Development Board at its eleventh session, or even the maintenance of the current number of field posts would only be possible if UNIDO could identify and receive additional and alternative sources of financing, including the continuation of the UNDP funding.

8. While facing serious financing constraints, UNIDO makes every effort to maintain continuity in the services requested from the field offices. In line with the overall efforts in the United Nations system to decentralize operational activities to the field, serious consideration should be given to the possibility of the permanent transfer of posts from headquarters to the field in addition to the temporary redeployment of headquarters staff as well as to the appointment of national directors, wherever possible. Those measures would be in line with Committee conclusion 93/9, paragraph (i) and Board decision IDB.11/Dec.29, paragraph (c) on the redeployment of headquarters staff as UCDs as well as United Nations General Assembly resolution 47/199, paragraph 26, that calls for the fullest utilization of available national expertise. The appointment of national directors would bring the multiple benefits of providing an appropriate level of expertise that would be combined with an in-depth knowledge of the country priorities at a lower cost to the programme owing to the absence of much of the cost associated with internationally recruited staff.

II. THE UNDP SECTORAL SUPPORT

9. Taking into consideration the problems and difficulties in mobilizing and securing the required financial resources, the UNDP sectoral support programme remains an important source of funds for the UCD programme. Funding from the sectoral support allocation is expected to continue for the remainder of the fifth cycle. As confirmed by the UNDP Governing Council in its decision 93/6, a level of expenditures of up to $10.2 million was authorized for the UCD programme for the years 1992 and 1993 from the total of $19 million earmarked under sectoral support funds for the fifth programming cycle. Thus UNIDO expects to receive an amount of approximately $2.9 million for each of the years 1994 through 1996 (cf. IDB.11/7-PBC.9/9, paras. 20-21).

10. Both the Committee and the Board invited the Governing Council of UNDP at its forty-first session in 1994 to continue the financial support to the UCD programme in view of the importance attached by the developing countries to that programme. The regular session of the Executive Board of UNDP/United Nations Population Fund held from 15 to 18 February 1994 did not discuss the UNDP support to the UCD programme but agreed to include the "review of the sectoral support programme" in the agenda of its third regular session scheduled to be held in the third quarter of 1994. Prior to that session UNIDO will discuss with UNDP the most appropriate financing arrangements; a review of the Memorandum of Understanding signed in 1989 between UNIDO and UNDP on the UCD programme will also take place on that occasion.

III. PROGRAMME FRAMEWORK FOR FIELD REPRESENTATION

11. In response to Programme and Budget Committee conclusion 93/9, paragraph (i), and Board decision IDB.11/Dec.29, paragraph (e), the Secretariat of UNIDO undertook, through an internal task force, a review of the key issues involved in the scope, nature and financing of UNIDO field representation. Based on the findings of the task force, a proposal has been prepared that:

(a) Examines various aspects of decentralization of UNIDO field offices in accordance with the recommendations of United Nations General Assembly resolution 47/199 on the operational activities of the United Nations system;

(b) Assesses the possibilities and constraints of establishing subregional offices as proposed in paragraph 31 of document IDB.11/7-PBC.9/9;

(c) Makes appropriate proposals for strengthening and networking the existing field offices and the Junior Professional Officer programme with a view to increasing the UNIDO service capacity at the field level;

(d) Makes specific suggestions regarding the role of UCDs and the structure of UNIDO field offices in view of the new arrangements for a unified field representation of the United Nations system as stipulated in United Nations General Assembly resolution 47/199;

(e) Provides detailed recommendations related to redeployment of headquarters staff and recruitment of national professional staff to fill the required UCD posts and other international staff in the UCD offices;

(f) Proposes alternative modalities for financing the UCD programme, including self-financing trust fund and third-party trust fund arrangements as well as provision of local support costs of the UCD offices by the countries concerned.

12. As suggested in paragraph 28 of document PBC.9/9 and subsequently requested by the Programme and Budget Committee, the proposed programme framework for field representation will be used as a basis for negotiating extrabudgetary resources for the UCD programme.

IV. FINANCING OF LOCAL COSTS

13. Only one Government (Uzbekistan) has agreed so far to finance, for two years, the entire cost of the UCD post and office from its IPF resources. Another Government, although from a least developed country (Uganda), financed on an ad hoc basis the entire local costs of the UCD office up to $95,000 from its own IPF allocated to UNIDO-executed projects. However, upon the full establishment of the UCD office in that country, the local costs are being borne by UNIDO. The possibility of appointing a national director is under consideration.

14. UNIDO is currently discussing with other Governments the possibility of IPF financing of the UCD posts and/or local support costs of the UCD offices in their countries. However, owing to the declining availability of IPF resources, it would be difficult for them to allocate such

resources for those purposes. This situation applies particularly to the European countries in transition with low levels of IPF resources. Therefore, it might be unrealistic to assume that the model of Uzbekistan would be easily applied elsewhere in developing countries or in other European economies in transition.

15. The local costs for a model UCD office are estimated to be some $80,000 per annum. The expenditure items generally foreseen include:

- Local support staff salaries (secretarial/ driver);
- Rental and maintenance of premises;
- Rental and maintenance of equipment;
- Supplies and equipment (including vehicle);
- Communications;
- Local travel;
- Miscellaneous services.

16. The actual costs of a local office are determined by local conditions and costs, and it must thus be emphasized that local costs vary widely between countries. The estimated cost of $80,000 per annum represents an average of present UCD offices.

V. ACTION REQUIRED OF THE COMMITTEE

17. The Programme and Budget Committee may wish to take note of this report and make its recommendations to the Industrial Development Board on the subject.

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UNIDO COUNTRY DIRECTOR PROGRAMME

Addendum

Programme framework for field representation

Proposals of the Director-General

Summary

In compliance with decision IDB.12/Dec.11, provides details of the programme framework for field representation mentioned in paragraph 11 of IDB.13/3-PBC.10/4.

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Introduction

1. In conclusion 93/9 of the Programme and Budget Committee on the UNIDO Country Director (UCD) Programme, subsequently endorsed by the Industrial Development Board in its decision IDB.11/Dec.29, the Director-General was requested to prepare proposals for a programme framework for field representation as a basis for negotiating extra-budgetary financing in the light of the outcome of current discussions in the United Nations General Assembly, including possible redeployment of headquarters staff to the field to maintain the current level of UCDs. In reporting on the implementation of Committee conclusion 93/9 and Board decision IDB.11/Dec.29, the Director-General in document IDB.13/3-PBC.10/4, paragraph 11, provided the main features of the programme framework for field representation. The request for the preparation of the framework was reiterated by the Board at its twelfth session in decision IDB.12/Dec.11, which stipulated that the Director-General was to submit his proposals for field representation to the Board at its thirteenth session through the Programme and Budget Committee. The Board furthermore considered that the Committee should adopt a conclusion on the matter, taking into consideration the importance of all UCD offices operating on a sound financial basis and of achieving the target of 50 UCDs or at least maintaining the present number. The present document is submitted in accordance with Board decision IDB.12/Dec.11.

I. UNIDO FIELD REPRESENTATION PROGRAMME

A. Background and overview

2. The issue of UNIDO's field presence is intimately linked with United Nations General Assembly resolutions 44/211 and 47/199 calling for the decentralization to the field offices of certain functions from the Headquarters of the United Nations and the larger specialized agencies. While the governing bodies of other specialized agencies such as the Food and Agriculture Organization of the United Nations, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization and the World Health Organization have already taken steps to promote decentralization, UNIDO has not so far been able to build up a broader country presence, owing mainly to the lack of required resources for the field representation programme.

3. In 1993, for these reasons, and in response to General Conference resolution GC.4/Res.4, the Director-General submitted a report on the subject to the Board and the Committee (IDB.11/7-PBC.9/9). In response to that report, the Committee adopted conclusion 93/9, which was subsequently endorsed by the Board in its decision IDB.11/Dec.29. In the same decision, the Board, inter alia, requested the Director-General to propose a programme framework for field representation that takes into account discussions in the United Nations General Assembly.

4. In response to the mandates of its policy-making organs, UNIDO undertook a review of the key issues involved in the scope, nature and financing of UNIDO's field representation. From that exercise, the need emerged for a redefinition of the role, functions and funding of the UNIDO field programme.

5. The present document highlights the main issues related to an expanded field representation programme, decentralization to the existing field offices, subregional representation and financing the UNIDO field representation programme as a basis for negotiating resource contributions with various donor countries.

B. Current situation

6. UNIDO's country presence is maintained through the following arrangements.

(a) UNIDO Country Director (UCD) offices

7. At present, UNIDO maintains 40 UCD offices in as many countries (see annex I to the present document); they are fully integrated in the United Nations Development Programme (UNDP) offices in those countries. In accordance with the Memorandum of Understanding between UNDP and UNIDO signed in April 1989, the UNDP Resident Representatives are officially designated as UNIDO representatives. The UCDs are functioning as deputies to the Resident Representatives in the field of industry and as such operate under their general direction. As of 31 March 1994, 28 field offices were headed by UCDs. In some cases, the UCD offices are staffed by junior professional officers (JPOs) or national programme officers (NPOs). Currently, 46 JPOs are on board (see annex II to the present document). In addition, 28 associate experts are assigned to support technical cooperation projects and regional commissions.

8. The UCD programme is currently financed from the UNDP sectoral support; the UNIDO regular and operational budgets; and the indicative planning figure (IPF) of the host country (see table 1 below). In the past, three UCD posts were financed through voluntary contributions.

UNDP sectoral support

9. The UNDP Governing Council allocated through its decision 91/34 a total amount of $19 million to support the UCD programme in the fifth programming cycle (1992-1996). In response to Board decision IDB.10/Dec.11, the Governing Council authorized, through its decision 93/6, an increased expenditure of up to $10.2 million for 1992-1993 from the total of $19 million earmarked for the fifth programming cycle. Thus, from this source UNIDO will have $8.8 million at its disposal, or $2.93 million yearly, for the three years remaining in the cycle.

UNIDO regular and operational budgets

10. The programme and budgets for the 1994-1995 biennium provides for 10 UCD posts under the operational budget and eight UCD offices under the regular budget (see table 1 below).

IPF of the host countries

11. So far, one country (Uzbekistan) has agreed to finance, for two years, the entire cost of a UCD office from its IPF resources. This arrangement will expire at the end of March 1995.

Voluntary contributions

12. In the past, three additional UCD posts were financed through voluntary contributions. No new

Table 1

UCD programme financing, 1994-1995

Source of funds	Number of offices: Full funding	Number of offices: Partial funding a/	Available resources (In millions of US dollars at current rates): 1994	1995	Total
UNDP sectoral support	14	7	3.5 b/	2.9	6.4
UNIDO operational budget	10	-	2.8	2.9	5.7
UNIDO regular budget	6	2	1.8	2.0	3.8
IPF	1	-	0.2	0.0	0.2
Total	31	9	8.3	7.8	16.1

a/ Consists only of the local support costs of the UCD office.

b/ Annual allocation of $2.9 million plus $0.6 million carried forward from 1993 unutilized funds.

voluntary contributions were received in 1993 and 1994. Support to cover local costs was received from Governments of some host countries.

(b) Investment Promotion Service (IPS) offices

13. The basic function of the IPS offices is to identify foreign partners for investment projects in developing countries. At present, UNIDO has 10 IPS offices. They are located at Athens, Greece; Cologne, Germany; Milan, Italy; Paris, France; Seoul, Republic of Korea; Tokyo, Japan; Vienna, Austria; Warsaw, Poland; Washington, the United States of America; and Zurich, Switzerland. Two Centres for International Industrial Cooperation, at Beijing and Moscow, which are also involved with inward investment promotion activities are being integrated in the IPS network. Some 10 additional IPS offices are currently under consideration in both developed and developing countries. The IPS offices are fully financed through voluntary contributions by the host countries that cover all expenditures including programme support costs (overhead charges).

(c) UNIDO liaison offices

14. There are currently two liaison offices (in New York and Geneva), which are financed from the regular budget. The functions of these offices comprise maintainance of liaison with the relevant principal organs of the United Nations, organizations of the United Nations and other international and financial institutions, as well as representatives of Member States of UNIDO whose accredited missions are located in New York or Geneva, and promotion of relations with the Government, legislative bodies and private sectors of the host country.

II. AN EXPANDED PROGRAMME FOR UNIDO COUNTRY PRESENCE

15. The present UCD programme is considered insufficient for meeting the new challenges and adequately promoting diversified UNIDO services at the country level. The main constraints are:

(a) Since the UNDP field offices heavily emphasize operational activities in line with the UNDP mandate, the UCD offices, being an integral part of UNDP offices, are required to devote a substantial portion of their efforts to administration and management of technical cooperation and operational activities financed under UNDP and other resources. Their ability to concentrate on industry-specific analytical, advisory and promotional activities is thus diluted, although such activities are being increasingly demanded in such forms as analyses of country industrial structure and development constraints, promotion of investment and technology and the provision of technical, management and policy advisory services.

(b) The UCDs are designated as deputies to the Resident Representatives, and are therefore not always in a position to carry out sufficient direct consultations with concerned authorities of the recipient Governments for programming and other activities regarding emerging problems and needs for assistance and advice. Often obliged to work without such direct contact with the key officials and institutions in the recipient countries, the UCDs are constrained in their endeavours to render substantive services which would enable them to take initiatives for joint programmes with all relevant development actors in the field. While maintaining coordination with UNDP offices, it is considered an essential precondition for their effective work with all concerned entities in the country that the UCDs be given full recognition and prominence as UNIDO representatives.

(c) The UNDP sectoral support financing as currently available will be phased out at the end of 1996. Its continuation is subject to further negotiations. The IPF financing (of Uzbekistan) will be completed by the end of March 1995. At the present stage, there are indications that these UNDP resources may not be available during

the entire period of the biennium 1996-1997. The introduction of the UNDP successor arrangements and the growing national execution of IPF-funded technical cooperation projects have caused a dramatic decline in UNIDO income generated from the execution of UNDP-financed projects. With the transfer to UNIDO of the entire administration of UCD offices in April 1989, the local support costs of the UCD offices are substantially increasing.

(d) The UCDs are usually assisted by JPOs funded by various donor countries to UNDP. UNIDO is currently defining a new strategy for their location. In addition to the important input of the JPOs, recent developments indicate that associate experts could play a major role in supporting field representation. Donor countries are receptive to new approaches in the use of those resources if well-planned programmes are developed and accurate terms of reference are drawn up. UNIDO recognizes the high value of these two programmes and is taking measures to encourage donor countries to augment their contributions.

A. Future functions of the UCD offices

16. In the past, the functions and activities of UCDs have de facto been concentrated on supporting technical cooperation programming and project identification and on facilitating their implementation. The changing demand structure and the new pattern of financing UNIDO services after the introduction of the UNDP successor arrangements as well as the widened clientele for the services now necessitate a broadening of the actual UCD functions. The UNIDO representatives in the individual member countries must be in continuous close contact with both the various end-users of the services and the various national and international funding sources. The UNIDO representatives must also be in the position to render services in a range of substantive areas and provide industrial information directly to the clients in both the public and private sectors.

17. The functions of UNIDO field offices should therefore not only cover traditional technical cooperation programming and related activities but should also be expanded so as to comprise some of the following services:

(a) Assessment of industrial structure and development constraints in the concerned country and formulation of UNIDO country briefs and support strategies;

(b) Industrial, including subsector-level, analyses in connection with industrial restructuring and privatization programmes;

(c) Advisory services on an enabling policy and institutional environment conducive to the development of private sector and an increased inflow of financial and other resources to the industrial sector;

(d) Advice on the sourcing, assessment and transfer of technologies and support to their subsequent adaptation to local needs and capabilities;

(e) Information services, including dissemination and exchange of data on technology and market trends;

(f) Advice on investment potential and on the development and promotion of integrated investment programmes;

(g) Advice on UNIDO training services;

(h) Mobilization of financial resources for UNIDO services through enhanced contacts with bilateral donors, international organizations, including financial institutions, and various national entities in the country concerned;

(i) Advisory services to strengthen the institutional, management and technical capabilities in the industrial sector of their countries of assignment;

(j) Direct advisory services to industrialists and entrepreneurs in specific technical fields;

(k) Identification and development of programmes relating to environment, energy and transfer of clean technology.

18. To discharge the above functions, the UCD offices would need to assume the role of full-fledged UNIDO field offices serving the entire Organization rather than being confined to only supporting technical cooperation and programming activities. Concurrently, the role of UCDs should also be that of a functional sectoral adviser. That means that UNIDO must strengthen the substantive and evidently the programming capability of its country offices.

B. Decentralization of functions to the field offices

19. It is desirable to decentralize some functions from Headquarters to the field in order to bring various functions as close as possible to clients and to be able to respond swiftly to their demand for services.

20. United Nations General Assembly resolution 47/199 refers to decentralization as the transfer of capacity and delegation of authority to the field offices through moving staff and financial resources and thereby establishing programming and administrative capacity at the country level. However, the delegation of authority over financial resources and the ensuing procedures are primarily related to the funding programmes of the Joint Consultative Group on Policies such as UNDP, the United Nations Children's Fund, the United Nations Population Fund, the World Food Programme and the International Fund for Agricultural Development, as well as specialized agencies with substantial regular budget resources of their own such as the International Labour Organisation, the World Health Organization and the Food and Agriculture Organization of the United Nations. UNIDO does not fall under that category, as UNIDO resources are not only limited in volume but also in terms of flexibility. Currently, the limited resources available for field operations (programmes/projects) and field representation (UCD programme and administration) are mainly of external origin. Therefore UNIDO can delegate only to the extent that the funding agencies allow (i.e. UNDP for indicative planning figure and Special Industrial Services (SIS) programme) and that donors' conditions and criteria would permit.

21. Yet the issue of possible transfers of headquarters staff and of substantive capacities to provide technical and administrative support at the field level is directly relevant to UNIDO. With regard to technical support, it must be recalled, however, that the scope for redeployment is limited at present. Industry is a particularly diverse, specialized and dynamic sector that needs to be serviced by a broad range of expertise. UNIDO must maintain at Headquarters a core technical capacity or critical mass, to be available upon request to its Member States - particularly to developing countries - in all regions. At this time of scarce resources it will, therefore, be difficult for the Organization to re-allocate a sizeable number of substantive posts to its field offices.

22. In respect to administrative and programming functions, UNIDO will have to assess the short- and medium-term scope for redeploying staff resources to the field offices. UNIDO will also study the possibility of delegating to the field offices authority for limited expenditure from the operational budget and SIS programme to enable those offices to quickly respond to such urgent requests as advisory or direct support services, urgent study tours within the region and formulation missions.

23. Decentralization can be also enhanced by delegating the responsibility, more than before, to the field staff to carry out certain functions that are otherwise carried out by headquarters staff combined with high travel cost, such as participation in regional and national meetings/workshops and tripartite meetings.

C. Wider country coverage

24. The present field coverage is totally insufficient to meet the objectives of an "efficient" field representation. Ideally, there should be one UNIDO representative located in each developing country that requires such presence. However, owing to prevailing financial constraints and because the need for UNIDO services in some countries may be too limited to warrant a permanent UNIDO office, this appears to be an unrealistic goal. In any case a very large number of countries may in the long run warrant consideration for location of a UNIDO office. The Board has repeatedly recommended, and did so again at its eleventh session (IDB.11/Dec.29), that a total of 50 UCDs is a desirable target for the near future. This should be seen as a major task for UNIDO for the medium term. Subject to the availability of additional resources, the following criteria will be considered for selecting the location of the new offices:

(a) Size and structure of the industrial sector in the country and the current and prospective demand for UNIDO services;

(b) Potential contributions from various sources to the financing of local costs of the UCD offices;

(c) Location of an office of a relevant regional or international organization;

(d) Availability of adequate physical and institutional infrastructure;

(e) Large coverage of least developed countries (LDCs).

D. Financial requirements

25. As can be seen from table 1 above, the total cost of the UCD programme in the current biennium amounts to $16.1 million, of which $9.5 million are covered from the UNIDO regular and operational budgets and $6.6 million are funded from other resources. Maintaining the current level of country presence in the biennium 1996-1997 will be possible only if the required financial resources are identified and received on time. As the availability of non-UNIDO resources is not certain at this stage (see para. 15(c) above), UNIDO has no alternative but to draw upon its own regular and operational budgets. Therefore, while pursuing the efforts to mobilize outside resources, the allocation of additional regular budget resources would be the most logical and feasible means for UNIDO to secure its continued field representation programme at the present level.

26. For that reason, it is intended to redeploy $1.9 million from anticipated savings in the 1994-1995 biennium to the UCD programme in the current biennium to fill some of the current vacancies in the programme. In addition, a higher budget allocation of $3.6 million is being proposed for the biennium 1996-1997 to offset the loss of sectoral support funding beyond 1996. Only through this budget re-allocation and redeployment will the Organization be able to maintain the current number of field offices at a certain strength throughout the next biennium. To attain the target of 50 UCD offices, an additional amount of $4.6 million will be required for the next biennium (as can be seen from table 2 below).

E. Staff requirements

27. The current standard size of the UCD offices (i.e. one UCD, one secretary, one JPO (in some cases) as well as a driver) will in the future not be sufficient to provide UNIDO services. The staff of future UCD offices must include at least one or two National Programme Officers (NPOs), who have an intimate knowledge of the industry in their own country and are specialized in such areas as investment promotion, small industries and technology-related activities in order to assist the UCDs in developing and delivering specialized services to various clients. Furthermore, associate experts may be attached to UCD offices with large programmes and projects, provided agreement for funding can be ascertained with donor countries. Whereas the actual size and the composition of skills will be determined for each office according to the needs and requirements of the country concerned, the three categories outlined in table 3 below are being tentatively considered.

(a) International UCDs

28. International UCDs must be highly qualified professionals with ample industrial experience. Besides being able to render substantive advisory services, they should be good contact creators and negotiators, able to work actively in public relations and image-building of UNIDO among donors and other development actors in their countries of assignment. Their job description will clearly specify their new functions (as indicated in para. 17 above) and their new role vis-à-vis the Resident Representatives (see paragraph 15(b)). At the beginning of their assignment, UCDs will

Table 2

Resource requirements of UCD offices, 1994 to 1997

A. 1994-1995 biennium

	Number of offices	Resource requirements (In millions of US dollars at current rates) RB/OB	Other	Total
Resources presently available	40 a/	9.5	6.6	16.1
Redeployment of 1994-1995 resources b/	-	1.9	-	1.9
Total resources available after redeployment	40	11.4	6.6	18.0

a/ Of which only 28 offices are staffed by UCDs; 12 offices have a vacant UCD post due to lack of financial resources.

b/ To fill some of the current vacancies in the programme.

B. 1996-1997 biennium

	Number of offices	Resource requirements (In millions of US dollars at 1995 rates) RB/OB	Other	Total
1994-1995 base	40	11.7	6.6	18.3
Reduction in IPF financing	-	-	(0.2) a/	(0.2)
Reduction in UNDP sectoral support	-	-	(3.5) a/	(3.5)
Resource increase (to be approved) b/	-	3.6	-	3.6
Net result	40	15.3	2.9	18.2
Additional resources necessary to reach target of 50 field offices	10	4.6	-	4.6
Total	50	19.9	2.9	22.8

a/ See table 1 and paragraph 15 (c).

b/ This refers to the proposed 1.9 per cent budget increase in 1996-1997 as contained in document IDB.13/10/Add.1-PBC.10/12/Add.1.

Table 3

Field office categories under consideration

Office size	Proposed staff and other requirements: Regular/operational budgets	Financed from other sources
Large	1 international UCD 1 administrative/programming staff 1 secretary 1 driver Advisory services funds (minimum $50,000) Equipment International travel	1-2 JPOs / and associate experts (by donors) 2 NPOs plus office local cost (to be covered by the host country)
Medium	1 UCD (HQ staff/National Director (UND)) 1 administrative/programming staff 1 secretary 1 driver Advisory services funds (minimum $50,000) Equipment International travel	1 JPO (by donors) 1 NPO plus office local cost (to be covered by the host country)
Others	1 UND 1 secretary/administrative assistant 1 driver Funds for advisory services (minimum $30,000) Equipment International travel	1 JPO (by donors) Local cost under operational budget

receive detailed briefing at UNIDO Headquarters for a period of two to three months. The Memorandum of Understanding with UNDP will be reviewed and appropriate adjustments will be reflected.

(b) UNIDO National Directors and National Programme Officers

29. UNIDO will be flexible and appoint, wherever convenient, National Directors (UNDs) as heads of its field offices. This policy will have a dual benefit: namely of providing qualified expertise with an in-depth knowledge of country priorities and yet, at a lower cost, due to the lower pro forma rate for the national staff and the absence of many other costs associated with internationally recruited UCDs. In five countries, negotiations have already been initiated or completed to fill the UCD posts with National Directors. Obviously, UNDs should be carefully selected and their reporting closely monitored by Headquaters. As UNIDO staff, they are directly responsible to UNIDO Headquarters. The NPOs will be recruited by UNIDO from either public or private sector entities in the host country. The cost of the NPOs shall be borne, as far as possible, by the Government concerned. This policy will also be a response to General Assembly resolution 47/199, paragraph 26, which calls for fullest utilization of available national resources.

(c) Redeployment of headquarters staff as UCDs

30. It is intended that various headquarters programmes shall be assessed to identify the relevant headquarters posts for redeployment to the field and the qualified headquarters staff members to fill the UCD posts. The redeployment of headquarters staff will be a positive response to Board decision IDB.11/Dec.29. However, in view of the scarcity of available staff qualified for UCD posts, the scope for redeployment of sizeable posts might be limited.

F. Integration of JPOs and associate experts in the UCD programme

31. Every effort will be made to ensure the continuation of assignments of JPOs at UCD offices and the extension of the JPO assignment from two to three years. To that end, an agreement will be sought with donor countries (similar to the existing one for the associate expert programme) on the integration of the JPO programme in the UCD programme. Additional donors will be identified. The yearly budget for JPOs, varying between $3 and $4 million, could be integrated into the UCD programme. Efforts will be made to increase the number of JPOs from the current level of 46 to around 60 for the 1996-1997 biennium. Member States that have not participated to date in this programme with UNIDO will be particularly invited to do so, including more advanced developing countries. Additionally, consideration could be given to strengthening large UCD offices with associate experts for programme- and project-related activities.

G. Networking of various country offices

32. UNIDO will examine all aspects of integration of the tasks and functions of various field offices in a developing country, including UCD and IPS offices, into one single UNIDO field office in order to ensure cost effectiveness, coherence and coordination of UNIDO support to field programmes in the country concerned.

H. Other measures

33. UNIDO must combine its strengthened field presence with increased awareness programmes and intensive information campaigns to make its capabilities and services better known to the industrial sector entities in both developed and developing countries. Such information campaigns will be carried out through:

(a) The UNIDO Public Information Service;

(b) Creation of UNIDO support groups or associations, involving respected and influential personalities, such as heads of industrial corporations, managers of large commercial banks, politicians, and renowned researchers and consultants, as well as former UNIDO staff members, to promote our services as well as to mobilize financial resources. These personalities are expected to carry out the above-mentioned promotional tasks on an honorary basis, without any significant financial commitment on the part of UNIDO. It can be assumed that, through the knowledge and experience of these eminent persons in industry and finance as well as their worldwide reputation among industrialists, financial institutions and the media, UNIDO could widen and strengthen its working relationships with industrial sector entities, commercial and financial institutions.

III. FINANCING THE FIELD REPRESENTATION PROGRAMME

A. Combined funding (UNIDO/UNDP resources)

34. UNIDO will continue to seek financing of its field representation programme from a combined scheme of resources available within the Organization, e.g.: (a) UNDP sectoral support, (b) UNIDO regular and operational budgets and (c) local and external resources from developing and developed countries. Since, however, the continuation of UNDP resources beyond the end of the current cycle is uncertain, UNIDO will enter into intensive negotiations with a wider range of potential funding sources in both the recipient and other countries. The following funding arrangements can be foreseen.

B. Extrabudgetary financing

(a) Self-financing trust fund arrangements

35. UNIDO would need to demonstrate to its various clients in developing countries (i.e. Governments, associations of industry, chambers of commerce and industry) that through their financial participation in a UNIDO office, they would gain easier and more rapid access to UNIDO services. To this end, UNIDO will pursue a marketing strategy. UNIDO will also undertake an awareness campaign to introduce the advantages and mechanisms of self-financing trust fund arrangements. The contribution from local institutions could be in kind, staffing or resources. In all cases the UCD should be internationally recruited.

(b) Third-party trust funds

36. In this case, a third country (probably a developed country) would make funds available through a special programme under its voluntary contribution to the Industrial Development Fund for financing a UNIDO office in a given developing country. As mentioned above, three posts were financed in the past under this financing modality, but no further contributions have been received to date for 1993 and 1994.

(c) Local support cost financing by the recipient countries

37. UNIDO will increasingly make authorities and other entities (Government, associations of industry, private sector, banks) in the country concerned, aware of the fact that the UCD office in their country could operate only if the local costs are substantially covered by the local sources. The response and cooperation of the local authorities will obviously depend on their resource capabilities and on the extent to which they need and perceive the value of UNIDO services. So far, seven countries are actually paying part of the total costs of the UCD offices in their respective countries. Some countries are considering contributing to the local cost in the near future.

38. The following forms of local cost financing by recipient countries may be considered:

(i) The entire local costs (i.e. local staff, local travel, premises, furniture and equipment, vehicles, communications, supply and materials, uniforms, joint administrative activities) are covered by the host country. UNIDO provides the international staff under its own regular/operational budget;

(ii) The host country covers the greater part of the local costs, and UNIDO pays the salaries of local staff such as NPOs and covers the cost of the international staff;

(iii) The host country covers only part of the local costs and UNIDO bears the rest. In such a case, attempts will be made to ensure that at least 50 per cent of the local costs are financed through local resources;

(iv) The local costs of the offices located in LDCs may be covered either from the regular/operational budget, through regional economic and technical cooperation among developing countries (ECDC/TCDC) or a combination of both.

C. Establishment of a special fund

39. In addition to the financing modalities described in paragraphs 35 to 38, the feasibility of establishing a special UNIDO country representation fund will be explored and various aspects of its operation examined. Such a fund would be open for voluntary contribution from Member States and relevant international organizations for financing exclusively the UNIDO country representation programme. This mechanism should have the particular advantage of mobilizing additional resources and strengthening the neutrality of UNIDO's representation.

D. UNIDO budget financing

40. The field presence of UNIDO must be considered an issue of high priority. The argument that UCDs were exclusively linked to technical cooperation programmes and hence should be financed only from technical cooperation-related resources is no longer valid, as UCDs are expected to provide advisory services encompassing all UNIDO activities. Pending progress in establishing the arrangements for UCD office financing, there is currently no alternative for the Organization but to draw predominately upon its regular and operational budgets to ensure the funding of its field representation programme at, at least, the current level, and make every effort to reach the target of 50 UCDs in the nearest future. Therefore, the possibility may be considered of allocating in the future around 10 per cent of UNIDO budget to the UNIDO field representation programme (as indicated in para. 26 and table 2 above) to enable the Organization to maintain the current programme at a certain strength and move towards attainment of the target of 50 UCDs. To that end, the support of Member States is sought.

IV. OTHER SCHEMES OF FIELD REPRESENTATION

A. Establishment of subregional offices

41. UNIDO is currently exploring the scope for and feasibility of establishing a limited number of subregional offices that could service several countries. The rationale is to enable UNIDO to build up sizeable teams of representatives that would be able to cover a wider range of functions and services in certain subregions by concentrating these resources in a subregional office. Besides rendering substantive and information services to entities in each country covered, the subregional offices would have as particular function the promotion of and support to subregional industrial cooperation. To this end, the offices would undertake the following:

(a) Analyse and review the industrial development plans, strategies and priorities of the countries in a specific subregion and accordingly develop subregional cooperation programmes and concepts, including financial and implementation modalities, for consideration and endorsement by the Governments concerned;

(b) Promote coordination and exchange of information and data among the countries of the subregion on such issues as technology-related investment, environmental impacts of industrial pollution, private sector development, national capability building, investment promotion and ECDC/TCDC;

(c) Formulate and organize training programmes including subregional workshops/seminars on industrial human resource development and enterprise management techniques;

(d) Establish a close network in the countries of the subregion with industrial, financial, training and research institutions with a view to:

(i) Obtaining and disseminating data and information on the sources and appropriateness of required technology;

(ii) Identifying opportunities for technical cooperation, investment promotion, special trust fund arrangements;

(iii) Mobilizing resources through identification of joint programmes with other subregional and regional organizations, including regional development banks and bilateral donors.

42. Taking into account the significant deviations in economic and industrial performance between various regions and subregions, the following criteria would be considered in selecting the most suitable subregions as well as the location of UNIDO subregional offices:

(a) The countries in the subregion should have significant current and/or potential demand for UNIDO services;

(b) The envisaged subregions should provide a suitable environment from the political, economic and strategic points of view for the development and enhancement of subregional programmes and cooperation in the field of industry. Political stability in the individual countries would enhance economic cooperation at the subregional level and prepare the groundwork for increased involvement by the donor community. The envisaged subregion should preferably cover as many LDCs as possible;

(c) The host country for the subregional office should offer, among others, the following prerequisites:

(i) A sizeable industrial sector;

(ii) A dynamic and active private sector and possibilities for mobilizing trust funds;

(iii) Good prospects for technical cooperation programmes and UNIDO participation;

(iv) Adequate coverage by multi- and bilateral agencies as well as international and financial institutions;

(v) Potential for government contribution to financing the cost of the subregional office;

(vi) Adequate transport and communication network.

43. Based on the above considerations, and owing to existing financial constraints, UNIDO should consider as a first stage the establishment of three subregional offices on a pilot basis, one each covering a selected group of countries in the African, Asia and the Pacific and Latin America and the Caribbean regions. The required detailed feasibility study and discussions with concerned authorities and entities to examine the validity of the concept as well as the subregional priorities and financial implications should be initiated soon. Subject to availability of funds and if the subregional offices prove to be cost effective, the establishment of additional subregional offices could be examined as a second stage.

(a) Financial and staff requirements

44. It is understood that the actual cost and the staff requirements for each subregional office would be carefully studied, if and when a decision is taken, and appropriate terms of reference will be drafted. At this stage, however, the resource requirements for the tentative establishment of three subregional offices could be estimated as shown in table 4 below. Particular importance should be given to ensuring sufficient financing for the travel requirements within the subregions.

(b) Implementation modalities

45. Subject to the endorsement of the general concept, the following financing arrangements could be considered and further examined for their viability and practicability.

(i) Regular budget financing

46. The subregional offices might be established as three regional technical cooperation projects financed under the regular budget. The required advisory services could be provided within the context of these regional projects for each subregion. It may be recalled that ILO has already financed 10 multidisciplinary advisory teams under such a financing modality for various subregions in Africa, Asia and the Pacific, Latin America and the Caribbean, Arab States and Europe. They appear to have been very successful in their endeavours.

(ii) Cost-sharing arrangements

47. UNIDO could establish, on a pilot basis, three regional technical cooperation projects, one each in the African, Asia and the Pacific and the Latin America and the Caribbean regions. The multidisciplinary teams and other project costs will be financed through cost-sharing arrangements between developed and developing countries. A special fund will be created to which both developed and recipient countries would contribute according to well-defined terms of reference. UNIDO will contribute from its own resources or through redeployment of its headquarters staff as subregional directors. This financing modality is being implemented by the United Nations Conference on Trade and Development (UNCTAD) in cooperation with UNDP, whereby UNDP is financing the chief technical adviser and other project costs of three regional projects in Africa, Asia and Latin America and the Caribbean. UNCTAD is contributing through seconding its regular staff to the projects. Should the concept of subregional representation be found feasible and cost effective, UNIDO could then include it as one of its priority programmes in its regular budget (as stated above) in order to ensure its continuity.

(iii) Financing through special regional programmes

48. The subregional offices might be established within the framework of the existing special regional programmes of UNIDO for the Industrial Development of Asia and the Pacific and the

Table 4

Resource requirements for proposed subregional offices

Subregion	Staff: Regular/operational budgets	Staff: Financed from other sources	Substantive expertise
South-East Africa	1 Regional Director (URD) 1 international Professional staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - small business development - industrial human resource development - investment promotion - agro-industries
Estimated cost a/	$550,000	$90,000	$640,000
South-East Asia	1 Regional Director 2 international staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - small and medium enterprise development - environmental programmes and energy-related issues - technology development and promotion of biotechnology - investment promotion - industrial information
Estimated cost a/	$650,000	$100,000	$750,000
Andean Group in Latin America	1 Regional Director 1 international staff 1 administrative/programming staff 2 secretaries 2 drivers + Equipment + Funds for urgent advisory services (minimum $100,000)	1-2 JPOs + associate experts (donors) 2 National Programme Officers + local support cost of the office (to be covered by the host country) + funds for travel within the subregion	Advisers in: - investment promotion - industrial information - technology development - industrial pollution and environmental programmes - industrial human resource development
Estimated cost a/	$650,000	$120,000	$770,000

a/ Figures also take into account regional cost-of-living disparities.

Regional Cooperation programme for the Industrial Recovery of Latin America and the Caribbean. To that end, UNIDO could seek special-purpose contributions of potential donors to the Industrial Development Fund to cover the entire costs of the subregional offices within the scheme of these special programmes. Similarly, IDDA resources could be used for financing the envisaged subregional office in Africa.

B. Liaison and IPS offices

49. UNIDO is maintaining other types of field offices, including IPS offices, in some developed and developing countries and liaison offices in two developed countries. The possibility of linking an IPS office and a UNIDO field office in a developing country into a full-fledged UNIDO country office - albeit with two separate functions - will be investigated. This arrangement could significantly enhance the functions and the cost efficiency of the office. Since, however, the IPS offices address different clients and are funded under different financial resources with varying functions, thorough studies and consultations will be undertaken to assess the viability of the proposed concept, cost effectiveness and other staff and structural considerations.

50. UNIDO will carefully examine the extent to which the existing liaison offices in New York and Geneva could become increasingly instrumental in promoting UNIDO services to private sector clients, financial and industrial institutions in their countries of assignment. The creation of a third office in Brussels will be considered with a view to establishing liaison with the European Union.

51. It is intended to examine the extent to which the IPS office at Washington could be used for promoting UNIDO services and mobilizing resources for financing those services. Through reinforcement of the office and reorientation of its functions, the office could regularly and systematically follow up areas of cooperation and review opportunities for joint programmes with funding agencies, private sector and non-governmental organizations in the United States of America.

V. ACTION REQUIRED OF THE COMMITTEE

52. The Programme and Budget Committee may wish to recommend to the Board the endorsement of the proposed programme framework for the field representation programme.

Annex I

UNIDO COUNTRY DIRECTOR OFFICES AS OF 31 MARCH 1994

1. Algeria
2. Argentina
3. Bangladesh
4. Barbados
5. Bolivia
6. Brazil
7. Cameroon
8. Chile
9. China
10. Colombia
11. Côte d'Ivoire*
12. Ecuador*
13. Ethiopia
14. Ghana
15. Guinea
16. Honduras
17. India
18. Indonesia*
19. Jamaica
20. Kenya*
21. Lebanon
22. Madagascar
23. Mexico
24. Mozambique
25. Nigeria*
26. Pakistan*
27. Peru*
28. Philippines*
29. Senegal
30. Sri Lanka*
31. Sudan
32. Thailand
33. Togo*
34. Turkey*
35. Uganda
36. United Republic of Tanzania
37. Uzbekistan
38. Viet Nam
39. Zambia
40. Zimbabwe*

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* Vacant.

Annex II

JUNIOR PROFESSIONAL OFFICERS (JPOs) IN THE FIELD AS OF 31 MAY 1994

Donor countries	Recipient countries
AUSTRIA	Bangladesh Cape Verde Mexico Nicaragua
BELGIUM	Benin Morocco
DENMARK	Botswana El Salvador Ethiopia Ghana India Indonesia Pakistan Uganda Uzbekistan Zambia
FRANCE	Viet Nam
GERMANY	Burundi Cameroon Fiji Mexico Mozambique Namibia Viet Nam
NETHERLANDS	China Guatemala Guinea Guyana Kenya Malawi Mauritius Nigeria (2x) Papua New Guinea Senegal Trinidad and Tobago Zimbabwe
NORWAY	Ecuador Jamaica Madagascar Philippines
SWEDEN	Costa Rica United Republic of Tanzania
SWITZERLAND	Bolivia Madagascar Pakistan

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Programme and Budget Committee

Tenth session
Vienna, 20-24 June 1994
Item 7 of the provisional agenda

INDUSTRIAL DEVELOPMENT FUND

Estimated resource level and programme for 1995 and 1996

Report by the Director-General

Summary

Reviews the current pledging pattern of the Industrial Development Fund and describes the Secretariat's approaches for the programming thrust for 1995 and 1996 that give particular emphasis to the priorities for reform approved by the General Conference in resolution GC.5/Res.18.

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Introduction

1. The Industrial Development Fund (IDF) is a key financial mechanism, anchored in the UNIDO Constitution, to enable the Organization to fulfil its mandate of promoting and accelerating the industrial development of developing countries in order to assist them in their efforts to achieve sustainable development and introduce an equitable economic and social order.

2. The present report covers IDF as well as other voluntary contributions provided by donor Governments as third-party trust funds, which are identical in nature to those provided under IDF.

I. ESTIMATED RESOURCE LEVEL

3. In 1993 IDF received $34.2 million in conditional and firm pledges compared with $30.3 million in 1992 and $28.9 million in 1991. In addition, third-party trust fund contributions by donor Governments were provided in the amount of $2.4 million. (For more details see the Annual Report of UNIDO, 1993, chap. III, paras. 90-101, and chap. VIII, paras. 16-20.)

4. A closer analysis of the IDF and third-party trust fund resource base shows that recent developments should be taken into due consideration while estimating the IDF resource level for the forthcoming biennium. Pledges provided by the traditional major donor Governments, which represent the core resource base of IDF, decreased to $21.2 million as compared with $24 million in 1992. The Secretariat was able to counterbalance the decrease by concluding successful project-related negotiations with other donor Governments for an amount of $3.6 million and by obtaining additional contributions from two multilateral sources: the Montreal Protocol for an amount of $6.9 million and the United Nations International Drug Control Programme for an amount of $2.5 million. These additional contributions indicate a recognition of UNIDO's technical specialized expertise as well as the existence of a good potential for complementary activities within the United Nations system. The impact of IDF could nevertheless be enhanced if pledged contributions were to increase and if the general-convertible segment of the Fund amounted to more than the minimal level of approximately $1 million achieved in recent years. The Fund could then be used more effectively for the implementation of a uniform programming policy to enable UNIDO to meet the growing demand for its services and as a programmable resource base for the development and implementation of its mandated priorities.

5. In this context it is also worth mentioning that the relatively positive trend of contributions to IDF and third-party trust funds was not able to counterbalance the sharp decrease of United Nations Development Programme (UNDP) resources available to finance UNIDO technical cooperation activities in the field. The changing role and programmatic priorities of UNDP would seem to warrant increases in direct contributions to UNIDO so that assistance to industrial development, as a key factor of a balanced and sustainable development process, is assured in accordance with the mandate and priorities set for the Organization.

6. In line with repeated policy-making organ mandates (e.g. General Conference resolution GC.5/Res.8), the Secretariat will continue its efforts to achieve the targeted funding level of $50 million, with special attention being devoted to obtaining a larger portion of announced pledges as well as to increasing the resources available under the general-purpose convertible segment of the Fund. Efforts will also continue to obtain umbrella contributions aimed at specific programme priorities. Such contributions provide the Organization with flexible and programmable resources that can be used effectively in the development and implementation of UNIDO programmes that address the priorities set for the Organization by its Member States.

7. In the Yaoundé Declaration (GC.5/Res.20) Member States committed themselves to renewing their political and financial support to the revitalized UNIDO. Achievement of the targeted IDF funding level will only be possible if those Member States that are in a position to do so now demonstrate that commitment by providing additional resources to support the reform process, as also called for in the Yaoundé Declaration.

II. PROGRAMMING THRUST, 1995 AND 1996

A. Substantive programming lines

(i) The five development objectives

8. The broad framework for programming extrabudgetary resources under IDF and third-party trust funds will be the five development objectives of the new UNIDO:

- Industrial and technological growth and competitiveness
- Development of human resources for industry
- Equitable development through industrial development
- Environmentally sustainable industrial development
- International cooperation in industrial investment and technology.

(ii) IDF programming guidelines

9. Within the context of the five development objectives, the focus will be on selected themes that will maintain continuity and consistency with present IDF-related policies and priorities.

10. Programmes and projects will be based on the following programming guidelines: the main beneficiary will be small and medium enterprises; assistance will be provided primarily at the policy and institutional levels; development of local capability will be given preference over direct support; direct support, if provided at the enterprise level, will have a strong demonstration component and will be provided through national industrial support institutions.

11. The overall objective of the IDF programme for 1995 and 1996 will be to build capacity for the development, transfer and absorption of technology, to develop human resources for industry, and information development and exchange. Within that context, the following priority programmes will be promoted:

(a) Small and medium enterprises (SMEs): The UNIDO strategy will aim at contributing to the creation of an enabling environment for SMEs, and will focus on dynamic, growth-oriented and competitive SME sectors according to the respective recipient countries' policies. Integrated programmes, consisting of packages of services, will be developed covering interrelated services for capacity building in improving product and process technologies, upgrading technical and managerial skills, organizing appropriate financing systems and in developing links between national and international marketing systems and sources of supply.

(b) Human resource development: Services in this field will fall into distinct yet closely interrelated sets of activities for supporting the development and review of policy, strategies and plans for industrial human resource development; carrying out industrial skills assessments; strengthening training capacities and capabilities at the institutional level; and developing and promoting industrial training capacities in selected fields. Human resource development activities will be primarily carried out at the recipient country level.

(c) Environmentally sustainable industrial development: In addition to the conventional pollution abatement programmes, the main focus of UNIDO activities in the coming years will be given to the cleaner production subprogramme of the UNIDO environment programme. Major thrust areas for capacity building have been identified as: enhanced national capacities to incorporate environmental considerations into industrial policies and strategies; and awareness building in clean technology and the application of clean technology.

(d) Industrial investment and technology cooperation: Under this programme, several forms of industrial cooperation services will be provided, including: promotion of foreign direct investment; international subcontracting; twinning and/or networking of industrial research institutes, national quality and standardization centres; setting up or participating in joint research and development programmes, linking chambers of commerce or associations of industrialists; and promoting industrial cooperation between countries in regional and subregional groupings as well as at the interregional level by fostering economic cooperation among developing countries.

(e) Information development and exchange: Both as independent programmes or projects or as components of newly developed activities, UNIDO will award priority to the provision of services contributing to the strengthening of existing information nuclei, the networking of information centres at the regional and subregional levels and the development of analytical capabilities to enable intelligent processing of the information collected.

12. With the limited resources available under IDF, the impact of activities under the above priority areas will be limited unless the programmes are well focused and closely coordinated with those of other cooperation agencies, both multilateral and bilateral. Considerable attention will thus be devoted to promoting coordination, complementarity and synergies at the programmatic and conceptual levels of the overall programmes as well as to the level of specific projects and individual countries. Furthermore, the Organization's priority programmes will be regularly updated and consolidated in light of the experience and related activities carried out by other technical cooperation actors, the changing demand of the recipients and UNIDO's own capacity.

(iii) Mobilization of additional financial resources

13. The basic phi.osophy of IDF as a means for mobilizing additional financial resources for developing countries will continue to apply. Focus will thus be awarded to activities that may have a multiplier effect and to utilizing IDF resources as a means of mobilizing other multilateral and bilateral sources, be it grant aid, investment resources or loans as well as domestic resources.

14. The limited general-purpose resources will be utilized for preparatory assistance projects as seed money for the development of large-scale activities that have good prospects of obtaining funding for the follow-up phase. Complementarity with any umbrella contribution for preparatory assistance projects will be ensured.

(iv) The programme approach

15. At present, UNIDO is at the vanguard within the United Nations system in the elaboration of the programme approach concept into a specific operational approach. Progress has been primarily achieved through IDF-funded sectoral programmes such as the leather programme in east African countries, cross-sectoral programmes such as those relating to subcontracting and modernization of the capital goods sector in Latin America and thematic programmes such as environment and women.

16. Two specific modalities will be followed in applying the programme approach:

(a) Integrated programmes that are based on extensive analysis of a subsector carried out together with the Government and industry concerned. Such programmes consist of an integrated package of technical cooperation projects, investment promotion, information services and policy advice to be provided. The implementation of integrated programmes may entail intensive cooperation with one or more other United Nations agencies;

(b) Thematic programmes consisting of a series of projects for various countries or regions on selected thematic priority areas. They will be developed to facilitate implementation of programme priorities as well as to increase cost-effectiveness through in-house teamwork, by permitting teams to deal with concepts and series of projects rather than individual projects.

17. While the programme approach will continue to be actively pursued by the reformed UNIDO to enhance impact and cost-effectiveness of its activities and to facilitate teamwork, securing of multi-donor funding will require a major effort from both the Secretariat and the donor community. Provision of adequate resources, coordination and a timely response by donors will be preconditions for the success of this innovative approach.

B. Management and procedures

(i) Quality management

18. At the request of the informal group of major IDF donors, the Secretariat presented the basic principles of the quality system at their meeting in November 1993. The progress made in the establishment of a quality system for UNIDO technical cooperation is described in document IDB.12/8.

19. The principles guiding the provision of technical services are contained in the UNIDO Constitution and in several decisions taken by its policy-making organs concerning its activities as a whole. UNIDO, as a service organization, recognizes that developing countries (their Governments, institutions and enterprises) are responsible for their own development process and external assistance can never become a substitute for their own efforts. The developing countries are therefore responsible for the management of the identification, formulation and implementation of their own development programmes.

20. Towards this end, UNIDO is responsible for the provision of specific technical services to assist in the identification, formulation and/or implementation of those programmes, so as to ensure the sustained capacity-building process of the recipient countries. Impact is measured through the ability of the direct beneficiaries to improve the situation of the target groups on a sustained basis.

21. It is UNIDO policy to ensure that its technical support services meet the quality standards described in document GC.4/28 and endorsed by the General Conference in decision GC.4/Dec.11: relevance, cost-effectiveness and sustainability. For this purpose, project cycle management/objectives-oriented project planning methodologies will be used in line with General Conference decision GC.4/Dec.11. A participatory approach with the recipient developing countries will be pursued. The objectives of this policy are the satisfaction of the recipients of technical cooperation and the target beneficiaries in the developing country as well as of the donor countries and institutions.

22. The application of UNIDO's quality system particularly to the identification and formulation process will ensure that its technical services meet the needs of recipient institutions whether at the national, subsectoral, local or thematic level. This will be ensured through either supporting the analysis of an existing problem situation; the joint formulation of institutions' development programmes and/or the provision of efficient and effective services to implement the programmes.

(ii) Uniform procedures for all sources of funds

23. In resolution GC.5/Res.8, the General Conference requested the Director-General to prepare comprehensive policy guidelines for all projects financed from funds administered by UNIDO. A report on the procedures relating to UNIDO-administered funds is provided in document PBC.10/11-IDB.13/9. All activities under IDF and third-party trust fund projects will have a clearly defined developmental impact. Furthermore, UNIDO will strive to obtain the highest quality of its

services in terms of their relevance to both the overall needs of recipient countries and the special needs of different groups of beneficiaries, as well as to their cost and operational effectiveness and sustainability. It is also important to stress that the Secretariat will pursue, within the framework of each source of funds, coherent objectives and priorities.

24. The new uniform service management process will strive to ensure interrelationships and complementarity of UNIDO services and will promote cost-effective programming based on teamwork. The guiding principles of the service management process are:

(a) Coherence, focus and prioritization: All services will be designed and delivered within a coherent UNIDO programming framework, in some cases a full-fledged UNIDO country support strategy. The framework will be determined, inter alia, through policy-making organ priorities, development objectives and subsectoral and thematic service frameworks. Requests that would not fall within that framework would not be accepted;

(b) Decentralization of responsibility: The service initiator will play a leading role from beginning to end of the process. The quality function will be decentralized: line managers and team leaders will be fully responsible for meeting quality criteria;

(c) Transparency: Requests will be circulated in a standard form and all stages of the process will be documented. Focus will also be placed on teamwork and monitoring at the country level;

(d) Involvement of the recipient of technical cooperation at all stages of the service management process;

(e) Comprehensiveness: The service management process will cover services under all sources of UNIDO-administered funds.

(iii) Resource mobilization

25. As mentioned in chapter I above, the Secretariat will be faced with great challenges in ensuring that an adequate extrabudgetary resource base is provided to enable the Organization to translate its new mandates and priorities into concrete action for the benefit of the recipient countries.

26. Within the context of IDF and third-party trust funds, UNIDO will focus its funds mobilization efforts on donor Governments and the United Nations system. With respect to Governments, UNIDO will endeavour to increase and diversify its donor base by targeting new and potential donors, including countries in transition, and the more advanced of the developing countries. Concerning traditional major IDF donors, new sources of funds will be targeted in addition to those generally devoted to multilateral cooperation, such as those earmarked for environment, women or support to economies in transition. Untied programme contributions or "umbrella contributions" to priority programmes will be promoted on a priority basis in line with recent policy-making organ mandates. In addition to providing UNIDO with the means to translate priorities into operational activities, this type of programming modality has several advantages. The time taken to secure financing can be reduced considerably, and the impact of assistance can be enhanced if the Organization is in a position to respond promptly to identified needs. Programme contributions would also assist the Organization to move away from a project-by-project approach and to provide an effective and coordinated response to the problems identified under programme priority areas. The activities undertaken through this programming modality can also enhance multi-disciplinary team work as well as provide a frame for thematic reporting and evaluation.

27. Concerning cooperation within the United Nations system, the new multilateral framework calls for enhanced interagency coordination and complementarity in the provision of services based on the respective areas of competence and expertise of each agency. The clear-cut cooperation policy of UNIDO is aimed at joint programming and funds mobilization for integrated programmes as well as at financing of certain projects by other agencies to the extent of their funding capacity. In this context, priority will continue to be awarded to the special funds for environment programmes and to a closer dialogue for sustainable assistance to refugees and displaced populations under the guidance and coordination of the United Nations High Commissioner for Refugees.

III. ACTION REQUIRED OF THE COMMITTEE

28. The Committee may wish to consider recommending to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Recalls the Yaoundé Declaration (GC.5/Res.20), as well as resolution GC.5/Res.8 on the Industrial Development Fund;

(b) Takes note of the report of the Director-General contained in document IDB.13/4-PBC.10/5;

(c) Approves the programming thrust for 1995 and 1996 proposed in chapter II of document IDB.13/4-PBC.10/5;

(d) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in 1995 and 1996 in accordance with the priority areas of the draft medium-term plan, 1994-1999 (IDB.10/5-PBC.8/10);

(e) In reiterating General Conference resolution GC.5/Res.8 encourages Member States:

(i) To increase their IDF pledges to ensure that the desirable annual funding level of $50 million be reached as soon as possible;

(ii) In order to strengthen the role of IDF as a programming mechanism allowing programming flexibility and in line with financial rule 106.11, to provide part of their contributions to the general-purpose convertible segment of the Fund so that a minimum annual level of $10 million may be achieved as soon as possible;

(iii) To consider providing umbrella contributions for financing preparatory assistance activities of large-scale projects and programmes and/or as freely programmable contributions towards selected medium-term programme frameworks."

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Industrial Development Board

Thirteenth session
Vienna, 7-11 November 1994

Programme and Budget Committee

Tenth session
Vienna, 20-24 June 1994
Item 7 of the provisional agenda

INDUSTRIAL DEVELOPMENT FUND

Estimated resource level and programme for 1995 and 1996

Report by the Director-General

Corrigendum

Document IDB.13/4-PBC.10/4 dated 5 May 1994 should bear the symbol IDB.13/4-PBC.10/5.

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ACCOUNTING STANDARDS

Report by the Director-General

Summary

Provides information on the new text of accounting standards in the United Nations system and informs on the action taken by the UNIDO Secretariat in that respect.

Background

1. In its decision 46/445, the General Assembly requested the Secretary-General to appoint a consultant to propose a set of accounting standards for common application in the United Nations system and to report thereon to the General Assembly at its forty-seventh session. Subsequently, in its decision 47/449 the General Assembly requested the Secretary-General and the executive heads of United Nations programmes and organizations of the United Nations system to complete their efforts to develop common accounting standards for the organizations of the United Nations system and to take these standards into account in the preparation of their financial statements for the period ending 31 December 1993.

2. The Working Party on Accounting Standards, established by the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ (FB)) and assisted by the Technical Group of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, prepared a draft that was examined by CCAQ (FB) at its seventy-ninth session. The text was subsequently approved by the Administrative Committee on Coordination (ACC) and incorporated as an annex to the report of the Secretary-General on accounting standards (A/48/530) submitted to the General Assembly at its forty-eighth session.

3. In its resolution 48/216, the General Assembly took note with appreciation of the report of the Secretary-General. In that same resolution, the General Assembly also took note of the Organizations' plans for the application and development of the United Nations system accounting standards and requested the Secretary-General to report thereon to the General Assembly at its fifty-first session.

4. The present document draws the attention of the Industrial Development Board through the Programme and Budget Committee to the text of the new accounting standards as included in the report of the Secretary-General to the forty-eighth session of the General Assembly.*

I. ACTION TAKEN BY UNIDO

5. The Director General, having taken note of the request of the General Assembly, has applied the common accounting standards in the preparation of the financial statements for the biennium 1992-1993. Those statements are contained in the report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the fiscal period 1992-1993 ended 31 December 1993 (IDB.13/7-PBC.10/8).

II. ACTION REQUIRED OF THE COMMITTEE

6. The Committee may wish to recommend that the Board take note of the present report.

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* Copies of the report of the Secretary-General containing the text of the United Nations system common accounting standards (A/48/530) are available upon request to delegations to the tenth session of the Programme and Budget Committee and thirteenth session of the Industrial Development Board.

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[redacted]

REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

Financial performance report for the biennium 1992-1993

Submitted by the Director-General

Summary

Itemizes the utilization of financial resources during the period 1 January 1992 to 31 December 1993 in accordance with Programme and Budget Committee conclusion 1987/19.

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Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources.

2. The regular budget performance report for 1992 was included in document IDB.11/6-PBC.9/8. The present financial performance report covers the biennium 1992-1993 and provides a comparison of expenditures with the estimates included in the programme and budgets approved by the General Conference at its fourth session (GC.4/Res.27) and amended in the revised appropriations for 1992-1993 as contained in document GC.5/26.

3. The audited financial statements for the biennium ending 31 December 1993 are included in the report of the External Auditor, which is contained in document IDB.13/7-PBC.10/8. The information in chapter II of the present document should be read in conjunction with those financial statements.

I. BUDGET PERFORMANCE REPORT

A. Regular budget

Appropriations/budget estimates/
cost reimbursement income

4. In its resolution GC.4/Res.27 the General Conference appropriated for the biennium 1992-1993 an amount of $181,013,400 on the basis of an exchange rate of US$ 1 = AS 12.90. In accordance with paragraph 2 of that resolution, the appropriations were subsequently adjusted to take into account the exchange rate variations during the biennium. The application of the average exchange rate for the biennium of US$ 1 = AS 11.26 to the appropriations resulted in a restatement of those appropriations to $204,312,600.

5. The appropriations consisted of gross budget estimates of $242,230,300 and cost reimbursement income estimates of $37,917,700.

6. A revision to the appropriations by major programme resulting from a transfer of resources within major objects of expenditure was reported to the Industrial Development Board in document IDB.11/6-PBC.9/8 and to the General Conference in document GC.5/26. There were no transfers of expenditure between major objects of expenditure during the biennium.

7. Actual expenditures and income for the biennium 1992-1993 are compared with the approved gross budget estimates and cost reimbursement income in two formats: by major programme (annex I) and by major object of expenditure (annex II).

8. Expenditures for the 1992-1993 biennium were $18,114,300 less and cost reimbursement income was $6,810,700 less than budgeted for the same time period. The net underutilization, amounting to $11,303,600, represents 5.6 per cent of the appropriations. In addition, other income recorded for the biennium amounted to $1,592,400, which was $220,100 higher than budgeted. Information on the major factors contributing to variances between actual and budgeted income and expenditures is provided in paragraphs 9 to 13 below.

Underutilization of gross budget estimates

9. The major factor contributing to the underutilization of budgetary estimates was the limitation of cash resources available for financial implementation of the budget during the biennium. The continued irregular payment or non-payment of assessed contributions by some Member States necessitated a hold-back of allotments and the practice of restricted recruitment led to higher-than-budgeted vacancy factors. The ability of the Organization to release funds for programme implementation was hampered by the need to ensure that sufficient cash was available to meet ongoing commitments - especially staff costs - and to cover other obligations of the Organization.

10. The unutilized budgetary estimates under staff costs ($9,942,200) resulted mainly from a higher average vacancy factor (12.3 per cent for Professional-level and 2.4 per cent for General Service-level posts) experienced during the biennium than that approved in the budget (5 per cent for Professional-level posts and 0 per cent for General Service-level posts) and from lower actual average standard salary costs for Professional-level posts than budgeted. Owing to the hold-back of allotments, other staff costs, including temporary assistance, consultants, overtime and ad hoc expert group meetings, were below the amount budgeted.

11. The underutilization of the budgetary estimates for staff costs was achieved after financing the staff reduction exercise implemented in the final quarter of 1993. The increased requirement under common staff costs for this purpose amounted to approximately $5.2 million. Provision was also made in 1993 against the liability for reimbursement of income taxes made on behalf of staff members ($950,490) during the period 1986 to 1991.

12. The underutilization of budget estimates in other major objects of expenditure arose owing to the need to hold back allotments, maintain strict financial control over expenditure and to effect efficiencies and economies during the biennium. In particular, cost reductions were achieved in the general operating costs of the Vienna International Centre (VIC) complex, in utility costs and communications. Electronic data-processing (EDP) non-staff costs were held below the amount budgeted mainly because of reductions in the cost of the facilities management. Expenditures for printing (joint service with the International Atomic Energy Agency (IAEA) and interpretation (joint service with the United Nations Office at Vienna (UNOV)) were below the amount budgeted, thereby contributing to the overall underutilization of budgeted estimates.

Cost reimbursement income

13. The shortfall of $6,810,700 for the 1992-1993 biennium in cost reimbursement income received from other agencies in the VIC for joint and common services managed by UNIDO, resulted from the following:

(a) Income received from IAEA and UNOV was below the amount budgeted by approximately $5.6 million owing to (i) the economies and efficiencies in expenditures for VIC general operating costs referred to in paragraph 12 above and (ii) the lower actual cost of staff salaries and common staff costs as compared with standard salary costs. This lower cost was due primarily to the high proportion of General Service-level staff in Buildings Management;

(b) Income from UNOV in respect of the cost-shared Languages and Documentation Services was below the amount budgeted by approximately $0.6 million owing to the high vacancy rate of UNIDO cost-shared established posts, which resulted in the use of temporary assistance staff financed by UNOV. This loss of income was offset by reduced staff cost expenditures for UNIDO (see para. 10 above);

(c) Shortfall in projected income of approximately $0.6 million owing to the withdrawal of IAEA from the joint language training programme managed by UNIDO.

B. Operational budget

14. The operational budget is funded mainly from the support cost income earned on the delivery of technical cooperation projects and from technical services provided by the Organization. Technical cooperation delivery in the 1992-1993 biennium amounted to $254.4 million. Income earned on this delivery to the amount of $29,390,000, together with the net income from technical services of $1,543,400 and miscellaneous income of $1,487,500, brought the total income for 1992-1993 to $32,420,900.

15. The estimated incomes for the 1992-1993 biennium from all sources of funds under the operational budget had been initially estimated at $53,854,100 (GC.4/42, table 2 (b)). The shortfall of $21,433,200 in actual incomes ($32,420,900) compared to the budget estimates was offset to some extent through the introduction of cost reduction measures during the biennium, including reduction in staffing. The measures were taken with a view to reducing expenditure to sustainable levels by the end of 1993.

16. Expenditure for the 1992-1993 biennium was $40,293,200 or 30.4 per cent lower than the

OPERATIONAL BUDGET

Reserve and fund balance
(In thousands of United States dollars)

Balance at 1 January 1992		
Statutory reserve	5,504.2	
Fund balance	4,225.0	
Total reserve and fund balance		9,729.2
Income and expenditure, 1992-1993		
Income	32,420.9	
Expenditure	40,293.2	
Surplus/(deficit) for 1992-1993		(7,872.3)
Total reserve and fund balance at 31 December 1993		1,856.9
Comprising		
Statutory reserve		5,504.2
Fund balance		(3,647.3)
Total		1,856.9

initial estimates of $57,830,400 (at an exchange rate of US$ 1 = AS 11.26) due to a reduction in staffing levels in the operational budget and to stringent controls introduced during the biennium for other expenditures, including travel, consultants, ad hoc expert group meetings and EDP.

17. The shortfall of $7,872,300 between income and expenditure for the biennium was financed from the fund balances, including the statutory reserve of $9,729,200 that had been carried forward from the 1990-1991 biennium. As a result, the statutory reserve balance was effectively reduced from $5,504,200 to $1,856,900 during 1993.

II. EXPLANATIONS TO THE FINANCIAL STATEMENTS 1992-1993 INCLUDED IN THE REPORT OF THE EXTERNAL AUDITOR (IDB.13/7-PBC.10/8)

18. The financial statements of the Organization for the biennium ended 31 December 1993 were prepared in accordance with financial regulation 10.2 and have been submitted to the External Auditor in accordance with financial regulation 10.7. The statements are included in part III of the report of the External Auditor (IDB.13/7-PBC.10/8). The following paragraphs contain explanations to those statements and should be read in conjunction with part III of that document.

19. Statement I: Status of appropriations shows, by programme, actual income and expenditure (equals disbursements plus obligations charged to the biennium) compared with the appropriations approved by the General Conference. In accordance with paragraph 2 of resolution GC.4/Res.27, the Austrian schilling component of the original appropriation has been converted to United States dollars at the average exchange rate of US$ 1 = AS 11.26 experienced during the biennium. Expenditure was $18,114,311 less than budgeted while income was $7,030,759 short of the estimate, notwithstanding the inclusion of $1,109,914 "not estimated in GC.4/Res.27".

20. Schedule 1.1 shows, by programme, the revisions to the appropriations at US$ 1 = AS 12.90 as submitted to the General Conference (GC.5/26).

21. Schedule 1.2 is an analysis of other income which, in the 1992-1993 biennium, totalled $1,592,434 compared with $3,511,142 in the previous biennium.

(a) Bank interest received during the 1992-1993 biennium ($2,414,243) showed a significant increase compared with the 1990-1991 biennium ($1,424,631) owing primarily to interest earned on the Working Capital Fund that was fully restored to its established level during the 1992-1993 biennium.

(b) During the biennium under review, the Organization recorded a net loss on exchange of $2,204,876 related to transactions in currencies other than United States dollars and on the revaluation of bank balances held in Austrian schillings compared with a gain of $583,065 in the previous biennium. This item is not related to the split-currency system of assessed contributions, which is dealt with in paragraph 23 below.

22. Schedule 1.3 shows expenditure and income by major object of expenditure compared with the revised appropriations valued at US$ 1 = AS 11.26.

23. Statement II A presents income and expenditure for the biennium commencing with the original assessment of Member States (see note 2(a)). The value of the assessment is increased by $2,408,829, resulting from the effect of the exchange rate fluctuations during the biennium on the value of assessed contributions (see note 2(b)), bringing the total income from Member States to $200,091,271. After adding income (statement I) and deducting expenditure (statement I), the provisional excess of income over expenditure was $8,674,693. This figure will remain provisional until such time as the actual value of arrears of contributions is established and a final balance, also taking into account possible savings in unliquidated obligations, is determined as at 31 December 1994, i.e. as at the end of the twelve-month period following the end of the fiscal period, in accordance with financial regulation 4.2(b).

24. The analysis at the lower part of Statement II A shows that, as at 31 December 1993, outstanding assessed contributions of $36,814,839 for the biennium 1992-1993 are required from Member States to finance:

(a) The excess of disbursements over receipts of $11,974,471 plus;

(b) Unliquidated obligations of $16,165,675 plus;

(c) The provisional excess of income over expenditure of $8,674,693.

25. Statement II B: Statement of surpluses due to Member States shows, for each biennium for which assessed contributions remain unpaid and in respect of contributions from new Member States, the surpluses due to Member States after taking into account savings on liquidation of obligations established in previous bienniums and unpaid contributions. The provisional nature of the surpluses is explained in note 2(d).

(a) The final excess of income over expenditure for the 1988-1989 biennium of $6,496,192, less unpaid assessed contributions of $454,445, has been retained in accordance with paragraph (d) of decision GC.4/Dec.15.

(b) The final excess of income over expenditure for the 1990-1991 biennium ($8,746,822), less unpaid assessed contributions of $2,414,538, has been retained in accordance with decision GC.5/Dec.14, paragraph (e).

26. Schedule 2.1 is an analysis, by programme and major object of expenditure, of savings on liquidation of obligations for the 1990-1991 biennium ($2,242,258) shown in statement II B.

27. Schedule 2.2 shows the final status of appropriations for 1990-1991 after taking into account savings on liquidation of obligations included in expenditure reported at the end of that biennium.

28. Statement III summarizes the assets and liabilities of the General Fund as at 31 December 1993.

(a) Arrears of assessed contributions totalled $39,768,866, compared with $30,445,733 at the end of the previous biennium, and contributions from new Member States totalled $155,520, compared with $137,985 for the previous biennium.

29. Schedule 3.1 provides the status of assessed contributions to the regular budget of Member States and new Member States as at 31 December 1993. As of that date, unpaid contributions for the 1986-1987 biennium amounted to $142,944; for 1988-1989: $475,694; for 1990-1991: $2,490,909; and for 1992-1993: $3,796,238 and AS 396,222,643 (equivalent to $33,018,554 at an exchange rate of US$ 1 = AS 12.00) thus yielding a total outstanding equivalent to $39,924,386 as at 31 December 1993. Of the 166 Member States, 56 Member States, or 33.73 per cent of UNIDO's membership, had fully paid their contributions up until and including the 1992-1993 biennium. Sixteen Member States, or 9.64 per cent, had made no payments and 94 Member States, or 56.63 per cent, had made only partial payments.

30. Schedule 3.3 shows from which sources funds were derived ("provided by") and how those funds were used ("utilized for").

(a) Funds totalling $224,937,863 were received by the General Fund during the biennium. Of these, $192,045,973 were provided by Member States; other income was $30,943,140; and a reduction in the net balance of accounts receivable offset against accounts payable provided a further $1,948,750.

(b) Funds totalling $225,741,212 were disbursed from the General Fund during 1992-1993; $207,950,315 against the appropriations for that biennium; $7,600,897 in liquidating obligations of the biennium 1990-1991, $8,190,000 in repayment of the advance from the Working Capital Fund; and $2,000,000 for partial repayment of the loan from the United Nations.

(c) The net outflow of funds from the General Fund during the biennium of $803,349 served to decrease the cash balance from $8,923,838 as at 31 December 1991 to $8,120,489 as at 31 December 1993.

31. Statement IV sets out the position of the Working Capital Fund and schedule 4.1 the status of Member States' contributions to that Fund. As at 31 December 1993, arrears from Member States totalled $103,800.

32. Statement V - Tax Equalization Fund: This Fund was closed effective 31 December 1992, as explained in note 3 to the financial statements.

33. Statement VI: Special account for programme support costs shows that support cost income in 1992-1993 at $32,420,870 was $7,862,830 or 19.5 per cent lower than in 1990-1991 and expenditure at $40,293,157, $1,433,928 or 3.4 per cent lower. The main decrease in income ($6,958,107) was in respect of UNDP-financed activities, due to the introduction of UNDP support cost successor arrangements coupled with a decrease in delivery.

34. Schedule 6.1 gives details of cash resources making up the item "cash - $2,321,510" in statement VI.

35. Statement VII provides a statement of income and expenditure and of assets, liabilities and fund balances as at 31 December 1993 in respect of UNIDO technical cooperation activities.

(a) In respect of the Regular Programme of Technical Cooperation and UNDP activities, income is represented by allocations which, in accordance with normal practice, equal expenditure for the reporting period. In the case of the UNDP programme, unspent allocations of $46,871,435 represent the residual value of UNDP projects under implementation in 1993, i.e. the total value of the budgets for those projects less cumulative expenditure to 31 December 1993 on the same projects.

(b) Analyses of the following items are provided in the notes to the financial statements contained in annex I to the report of the External Auditor (IDB.13/7-PBC.10/8):

	IDF (note 4)	Trust funds (note 5)	UNDP (note 6)
Accounts receivable	1,534,869	1,303,220	1,459,749
Deferred charges	-	228,739	6,022,520
Accounts payable	1,847,344	2,250,280	9,617,398

(c) The operational reserve of the Industrial Development Fund (IDF), established pursuant to financial rule 106.14, is maintained at the level of $550,000 in accordance with decision IDB.2/Dec.7.

(d) The amount of $15,796,818 shown as due from UNDP will, in accordance with existing arrangements with UNDP, be drawn from UNDP as required for settlement of unliquidated obligations and other accounts payable.

(e) Four schedules are presented in support of statement VII.

36. Schedule 7.1 is an analysis of firm pledges to IDF, commencing with balances brought forward from the United Nations Industrial Development Fund and of collections since 1 January 1987. The

value of pledges unpaid ($30,451,199 - column 10) is shown as an asset of the Fund in statement VII, while advance payments ($11,723,498 - column 11) are shown as a liability and pledges of $35,163,448 for 1994 and future (column 6) are shown as deferred income.

37. Schedule 7.2 summarizes transactions on each of the subaccounts that make up IDF commencing with the fund balance as at 1 January 1992.

38. Schedule 7.3 is a summary of transactions of trust funds commencing with the fund balance as at 1 January 1992.

39. Schedule 7.4 is an analysis of UNDP-financed implementation for the biennium 1992-1993 that distinguishes between implementation in respect of projects approved under the old support cost arrangements (old regime) and implementation in respect of those approved under the successor arrangements (new regime).

40. The total support cost income from UNDP for the biennium ($16,267,416) is shown as income in statement VI.

III. ACTION REQUIRED OF THE COMMITTEE

41. The Committee may wish:

(a) To take note of the financial performance report for the biennium 1992-1993 (IDB.13/6-PBC.10/7);

(b) To take note with appreciation of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1992-1993 ended 31 December 1993 (IDB.13/7-PBC.10/8).

Annex I

REGULAR BUDGET
FINANCIAL PERFORMANCE REPORT FOR 1992-1993 BY MAJOR PROGRAMME
(In thousands of US dollars)

Major programme	Budget estimates 1992-1993 at US$1 = AS 11.26 (a)			Actual expenditure/income 1/1/92 to 31/12/93 (b)			Unutilized balance at 31/12/93 (c)=(a)-(b)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 - Policy-making organs	2,851.7		2,851.7	2,221.9		2,221.9	629.8		629.8
200 - General Management	6,898.9		6,898.9	6,268.7		6,268.7	630.2		630.2
300 - Programme and Project Development	37,134.6		37,134.6	35,208.6		35,208.6	1,925.9		1,925.9
400 - Industrial Promotion, Consultations and Technology	22,274.5		22,274.5	22,032.7		22,032.7	241.9		241.9
500 - Industrial Operations	37,071.4		37,071.4	35,721.6		35,721.6	1,349.8		1,349.8
600 - Common programmes	17,714.8		17,714.8	16,505.7		16,505.7	1,209.1		1,209.1
700 - External Relations, Public Information, Language and Documentation Services	30,707.8	4,097.7	26,610.1	25,877.8	3,522.3	22,355.5	4,830.0	575.4	4,254.6
800 - Administration	87,576.5	33,819.9	53,756.6	80,278.9	27,584.6	52,694.3	7,297.6	6,235.3	1,062.3
Total	242,230.3	37,917.7	204,312.6	224,116.0	31,107.0	193,009.0	18,114.3	6,810.7	11,303.6

Note: Adjusted as described in IDB.11/6-PBC.9/8 and noted in IDB.11/Dec.30.
Reflects gross and net budgets as described in document IDB.10/11/Add.1.
Budget estimates shown in GC.4/Res.27 restated at US$1 = AS 11.26.

Annex II

REGULAR BUDGET
FINANCIAL PERFORMANCE REPORT FOR 1992-1993 BY MAJOR OBJECT OF EXPENDITURE
(In thousands of US dollars)

Major object of expenditure	Budget estimates 1992-1993 at US$1 = AS 11.26 (a)			Actual expenditure/income 1/1/92 to 31/12/93 (b)			Unutilized balance at 31/12/93 (c)=(a)-(b)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
Staff costs	169,076.5	18,814.5	150,262.1	159,134.4	15,380.9	143,753.5	9,942.2	3,433.6	6,508.5
Official travel/meetings	3,700.4	13.3	3,687.1	2,721.8	15.8	2,706.0	978.6	(2.5)	981.0
Contractual services	778.6		778.6	603.4		603.4	175.2	0.0	175.2
General operating expenses	33,778.6	17,915.6	15,863.0	28,242.1	14,647.2	13,594.8	5,536.6	3,268.4	2,268.2
Supplies and materials	1,245.1	316.4	928.7	1,165.4	262.2	903.2	79.7	54.2	25.5
Acquisition of furniture and equipment	1,094.3	446.5	647.8	992.1	378.5	613.6	102.3	68.0	34.2
Improvement to premises	300.0		300.0	300.0		300.0	0.0	0.0	0.0
Technical cooperation	12,149.8		12,149.8	12,133.8		12,133.8	16.0	0.0	16.0
Non-staff electronic data-processing costs	7,231.6	407.2	6,824.4	6,774.1	415.6	6,358.6	457.5	(8.4)	465.8
Other expenses	12,875.3	4.1	12,871.1	12,048.9	6.9	12,042.0	826.4	(2.7)	829.1
Total	242,230.3	37,917.7	204,312.6	224,116.0	31,107.0	193,009.0	18,114.3	6,810.7	11,303.6

Note: Reflects gross and net basis budgets as described in document IDB.10/11/Add.1
Budget estimates in GC.4/Res.27 restated as US$1 = AS 11.26.